



U.S.-PANAMA TRADE PROMOTION AGREEMENT

Idaho Farmers Will Benefit

September 2011

The U.S. agricultural sector has a great deal to gain from the pending U.S.-Panama Trade Promotion Agreement, known as the Panama TPA. The agreement will immediately eliminate duties on nearly 50 percent of current U.S. exports and gives U.S. exporters improved access to the Panamanian market for many products that have been highly protected. U.S. agricultural exports to Panama in 2010 exceeded \$450 million.

The Panama TPA eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Idaho agricultural products, including dairy, beef, and vegetables. Idaho's agricultural exports to all countries, estimated at \$1.6 billion in 2010, supported about 13,400 jobs, on and off the farm. These export sales make an important contribution to the Idaho farm economy, which had total cash receipts of \$5.7 billion in 2010.

Dairy Products

- U.S. exporters will have immediate duty-free access to nine preferential dairy tariff-rate quotas (TRQs), totaling 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's World Trade Organization (WTO) commitments.
- Panama will immediately eliminate its 30-percent tariff on dried whey products. The tariffs on most other dairy products, which are currently as high as 140 percent, will be phased out over 15 years.
- Panama has already implemented a December 2006 bilateral agreement with the United States on sanitary/phytosanitary measures (SPS), recognizing the equivalence of the U.S. food safety systems for processed foods, including dairy products, and streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy products to Panama without burdensome paperwork and without having each facility and shipment inspected by Panamanian authorities.

Beef

- Panama will immediately eliminate its 30-percent duty on the products most important to the U.S. beef industry – prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariff on other edible offal will be eliminated immediately.
- Panama has already implemented a December 2006 bilateral agreement with the United States on SPS, reopening its market to U.S. beef by bringing its import requirements related to bovine spongiform encephalopathy into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Wheat

- Panama's current zero-tariff treatment for wheat will be locked in place immediately upon implementation of the agreement.
- The 10-percent tariff on wheat flour will be eliminated within 12 years.

Barley

- Panama's current zero-tariff treatment for barley and barley malt will be locked in place immediately upon implementation of the agreement.

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Potatoes

- Tariffs for fresh potatoes will be eliminated in 10-15 years.
- The tariff on potato chips will be eliminated immediately and the tariffs on potato flakes and other potato preparations will be phased out in 5 to 10 years. Panama will establish a 3,640-ton, duty-free preferential TRQ for frozen precooked French fries. This will grow by 4 percent annually and the over-quota tariff will be eliminated in 5 years. Panama will also establish a 765-ton, duty-free preferential TRQ for fresh potatoes that will grow 2 percent annually.

Dry Peas, Beans, and Lentils

- Panama will immediately eliminate its 15-percent tariffs on most dried peas, lentils and most beans. For kidney beans, Panama will provide immediate duty-free access within a preferential TRQ that starts at 795 tons and grows 6 percent annually. The 15-percent over-quota tariff will be phased out in 12 years.

Sugar and Sweeteners

- Panama's tariffs on sugar and sweetener products range from zero to 144 percent.
- Panama's tariff on high-fructose corn syrup and raw cane and refined sugar will be zero immediately, while the duties on other sugar and sweetener products will be eliminated within 15 years.
- The United States will establish a 505-ton duty-free TRQ for Panama for sugar and sugar products covered by the U.S. WTO TRQ, with the quantity growing by five tons every year.
- Provisions will ensure that Panama will only ship when it is a net surplus exporter, and provisions will allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- The United States has also agreed to provide a 6,060-ton TRQ for raw sugar growing by 60 tons every year for 10 years and a 500-ton TRQ for specialty sugar that does not grow.
- These TRQs are also subject to the sugar compensation mechanism; however Panama does not need to be a net exporter to qualify for the raw and specialty TRQs.
- The United States will not reduce the out-of-quota duty for sugar and sugar products covered by these TRQs.

| Idaho | | |
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| Principal Agricultural Products and Exports, 2010 | | |
| Product | Cash Receipts (2010 calendar year) | Exports (2010 fiscal year) |
| Total | \$5.7 billion | \$1.6 billion |
| Dairy Products | \$1.9 billion | \$208 million |
| Cattle and Beef | \$1.2 billion | \$85 million |
| Wheat, Barley, and Products | \$723 million | \$361 million |
| Potatoes | \$695 million | \$217 million |
| Dry Peas, Beans, and Lentils | \$91 million | \$53 million |
| | Source: USDA-NASS | Source: USDA-ERS |

For questions about the U.S.-Panama Trade Promotion Agreement and its impact on U.S. agriculture, please contact FAS Public Affairs at (202) 720-7115 or LPA@fas.usda.gov.